

June 12, 2007

CARB Market Advisory Committee

Re: "Recommendations for Designing a Greenhouse Gas Cap-and-Trade System for California" (draft, June 1, 2007)

Dear Market Advisory Committee:

On behalf of Planktos Inc., a greenhouse gas (GHG) offset provider working to restore forests on land and plankton productivity in the open ocean, I would like to extend the thanks and appreciation of our company for the hard work, foresight and succinct policy contributions represented by the subject draft report.

We believe the systems approach taken by the Committee and represented in the report properly reflects the urgent appeal brought forward in "The Economics of Climate Change: The Stern Review" written by Nicholas Stern, head of the UK Government Economic Service, and former Chief Economist of the World Bank.

The Stern Review characterizes climate change as "the greatest and widest-ranging market failure ever seen," representing a challenge of such magnitude that between 5% and 20% of global GDP is at risk unless appropriate measures are taken by institutions world wide to:

- curtail GHG emissions,
- reduce concentrations of GHGs currently in the atmosphere and
- adapt to the pending ecological and socioeconomic effects of global warming.

The Stern Review says that three actions are required for an effective response to global warming and climate change: 1) the pricing of carbon through tax, trading or regulation, 2) policy to support innovation and deployment of low-carbon technologies, and 3) action to remove barriers to energy efficiency to inform, educate and persuade changes in behavior.

"Leaving out any one of these elements will significantly increase the costs of action," observes Stern.

With respect to carbon trading, the strategic component of greatest interest to offset providers such as Planktos, the Stern Review says:

"Trading schemes can be an effective way to equalize carbon prices across countries and sectors. To reap the benefits of emissions trading, schemes must provide incentives for a flexible and efficient response. Broadening the scope of trading schemes will tend to lower costs and reduce volatility. Clarity and predictability about the future rules and shape of schemes will help to build confidence in a future carbon price."

And,

“Private sector trading schemes are now at the heart of international flows of carbon finance. Linking and expanding regional and sectoral emissions trading schemes, including sub-national and voluntary schemes, requires greater international co-operation and the development of appropriate new institutional arrangements.”

Planktos believes the subject draft report properly represents the role of offsets to help California (and the world) achieve its stated goals. By recommending that offsets be allowed as part of an overall cap-and-trade program, the MAC has provided the state Air Resources Board (CARB) with an extraordinary range of tools designed to maintain environmental integrity, and to control the cost managing climate change, while also promoting simplicity, flexibility and innovation both in terms of policy implementation as well as policy compliance.

Planktos agrees that offsets should be “real, additional, independently verifiable, permanent, enforceable, and transparent.”

Planktos agrees that CARB should use a standards-based approach to assign offset credits. This will allow offset providers to bring forward GHG reductions that satisfy the “real-to-transparent” criteria mentioned above. So long as standards are fair and reasonable this will optimize the need to integrate sound science, innovation, environmental value and cost minimization.

Planktos agrees that CARB should identify specific types of eligible projects to maximize the environmental benefits of using offsets. Biological offsets in particular offer opportunities to not only slow the pace of climate change, but to generate very significant co-benefits associated with restored ecosystem health and integrity.

Planktos agrees that geographic or quantitative limitations artificially constrain the ability of offsets to contribute to the ambitious goals mandated by California AB 32. Any climate-related ecosystem service is truly global in nature; its reach is not limited to any one region or locale as with other ecosystem services. In this respect, any effort to curtail or reduce the effects of climate change in any one region benefits any other region *world wide*. Therefore, to limit the ability of specific offset provider to combat climate change in a real-to-transparent way affects the well being of all the world’s residents in a negative way.

Planktos agrees that California should accept offsets only from other jurisdictions capable of assuring a similar level of accountability and project rigor meeting the test of real-to-transparent GHG reductions. This will minimize the cost burden of entities forced to comply with AB 32.

Planktos agrees that assigned GHG allowances should not expire and that banking for use in any subsequent compliance period should also be allowed.

Planktos agrees that California should seek linkages with other mandatory systems that demand similar levels of accountability for GHG reductions. This will optimize the efficiency and value (both economic and ecological) of the systems approach being recommended by the MAC.

With respect to credit for early action, Planktos believes that many offset providers are prepared now to help California institutions achieve GHG reductions in real-to-transparent ways. We thus believe that offsets could play a role in the interim between 2007 and 2009, and would be pleased to see a revision of the draft report that reconsiders the positive statement this would make regarding the importance and value of high quality offsets available today.

Lastly, Planktos understands the MAC's view that a gradually increasing allocation of allowances would help ensure the success of a state based cap-and-trade market approach. We will continue to work with CARB staff (and related advisors) to encourage an aggressive ramp-up that allows the state to achieve AB 32 reduction goals, and also allows offsets to contribute to those goals in an ecologically beneficial and economically valuable way.

Thank you for the opportunity to present these comments,

Bill Coleman

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Planktos Inc.